

**REPORT OF THE AUDIT OF THE  
WOODFORD COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 3, 2002**



**EDWARD B. HATCHETT, JR.**  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WOODFORD COUNTY**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 3, 2002**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2001 Taxes for Woodford County Sheriff as of May 3, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$11,054,472 for the districts for 2001 taxes, retaining commissions of \$339,807 to operate the Sheriff's office. The Sheriff distributed taxes of \$10,657,115 to the districts for 2001 Taxes. Taxes of \$45,520 are due to the districts from the Sheriff and refunds of \$1,340 are due to the Sheriff from the taxing districts.

**Report Comment:**

- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joe Gormley, Woodford County Judge/Executive

Honorable John Coyle, Woodford County Sheriff

Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the Woodford County Sheriff's Settlement - 2001 Taxes as of May 3, 2002. This tax settlement is the responsibility of the Woodford County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Woodford County Sheriff's taxes charged, credited, and paid as of May 3, 2002, in conformity with the modified cash basis of accounting.



To the People of Kentucky

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Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Joe Gormley, Woodford County Judge/Executive

Honorable John Coyle, Woodford County Sheriff

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In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
October 9, 2002



WOODFORD COUNTY  
JOHN COYLE, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES

May 3, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 958,656	\$ 704,604	\$ 6,310,540	\$ 1,758,675
Tangible Personal Property	52,296	36,323	356,872	406,504
Intangible Personal Property				157,348
Taxes Increased Through				
Erroneous Assessments	960	641	6,526	57,079
Omitted Taxes	5,883	2,232	38,404	11,320
Franchise Corporation	45,981	48,560	312,674	
Bank Franchises	57,767			
Penalties	4,191	3,058	27,661	8,426
Adjusted to Sheriff's Receipt	<u>9</u>	<u>5</u>	<u>60</u>	<u>(2)</u>
Gross Chargeable to Sheriff	<u>\$ 1,125,743</u>	<u>\$ 795,423</u>	<u>\$ 7,052,737</u>	<u>\$ 2,399,350</u>
<u>Credits</u>				
Exonerations	\$ 6,593	\$ 3,417	\$ 43,480	\$ 13,005
Discounts	17,568	11,935	108,125	38,801
Delinquents:				
Real Estate	6,878	5,021	45,357	12,640
Tangible Personal Property	427	296	2,917	2,179
Intangible Personal Property				142
Total Credits	<u>\$ 31,466</u>	<u>\$ 20,669</u>	<u>\$ 199,879</u>	<u>\$ 66,767</u>
Taxes Collected	\$ 1,094,277	\$ 774,754	\$ 6,852,858	\$ 2,332,583
Less: Commissions (a)	<u>46,794</u>	<u>22,270</u>	<u>171,321</u>	<u>99,422</u>
Taxes Due	\$ 1,047,483	\$ 752,484	\$ 6,681,537	\$ 2,233,161
Taxes Paid	1,047,450	751,609	6,672,959	2,185,097
Refunds (Current and Prior Year)	<u>1,263</u>	<u>985</u>	<u>8,284</u>	<u>2,838</u>
Due Districts or (Refund Due Sheriff)		(b)		(c)
as of Completion of Fieldwork	<u>\$ (1,230)</u>	<u>\$ (110)</u>	<u>\$ 294</u>	<u>\$ 45,226</u>

WOODFORD COUNTY  
 JOHN COYLE, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2001 TAXES  
 May 3, 2002  
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	3,863,705
2.5% on	\$	6,852,858
1% on	\$	327,909

(b) Special Taxing Districts:

Library District	\$	59
Fire District		<u>(169)</u>
Due Districts or (Refund Due Sheriff)	\$	<u><u>(110)</u></u>

(c) This was paid to State Revenue Cabinet on August 27, 2002 subsequent to settlement date.

The accompanying notes are an integral part of the financial statement.

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENTS

May 3, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 3, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

WOODFORD COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 3, 2002  
(Continued)

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 25, 2001 through May 3, 2002.

Note 4. Interest Income

The Woodford County Sheriff earned \$22,403 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Woodford County Sheriff collected \$31,019 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of October 9, 2002, the Sheriff owes \$31,019 in 10% add-on fees to his fee account. This was paid to the fee account subsequent to the audit date.

COMMENT AND RECOMMENDATION



WOODFORD COUNTY  
JOHN COYLE, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

May 3, 2002

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

We noted a lack of an adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small staff size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties. However, the Sheriff could implement some of the following procedures to establish some compensating controls to offset the lack of adequate segregation of duties.

- Daily receipts reconciled to daily checkout sheets by a person who has no access to accounting records and does not make deposits.
- Recording of receipts and disbursements ledgers by an individual who does not make deposits or sign checks.
- Bank reconciliation prepared monthly and agreed to the receipts and disbursements ledgers by an individual who has no access to accounting records and makes no deposits.

The Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition and a material weakness. We recommend that the Sheriff implement some of the procedures as described above to establish controls to compensate for the lack of adequate segregation of duties.

*Sheriff Coyle's Response:*

*I refuse to make the same response as I have in years past.*

PRIOR YEAR:

The Sheriff's Office Lacks Adequate Segregation Of Duties

*Sheriff Coyle's Response:*

*None.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

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**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Woodford County Sheriff's Settlement - 2001 Taxes as of May 3, 2002, and have issued our report thereon dated October 9, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Woodford County Sheriff's Settlement -2001 Taxes as of May 3, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Woodford County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
October 9, 2002

